



# ***The Real Facts***

***A Critical Analysis of the Bush Administration's Claims on CAFTA  
Prepared by the Democratic Staff of the Ways and Means Committee***

***June 13, 2005***

## ***CAFTA and U.S. National Security: The Facts***

**MYTH:** The "people of the region are asking" for CAFTA.

**REALITY:** 3 of the 5 Central American countries have not ratified CAFTA after more than a year; the Bush Administration has had to resort to threats to get countries to ratify CAFTA; and CAFTA itself has created civil unrest in several Central American countries.

- In a recent Gallup poll in Guatemala, 65 percent of respondents said CAFTA would hurt the country – a 30 percent increase over December 2004.
- In El Salvador, tens of thousands staged protests against CAFTA. The Salvadoran legislature responded by passing CAFTA in the middle of the night.
- In Costa Rica, President Pacheco announced in May that the country would not ratify CAFTA unless an independent commission could determine that the agreement would not hurt working people. Last fall, 30,000 Costa Ricans took to the streets to protest CAFTA.
- Senior Bush Administration officials have recently threatened Central American countries with cutting off CBI benefits if they don't ratify CAFTA. (These threats are based upon a misdescription of U.S. law.)
- Likewise, the U.S. government pressured the Guatemalan legislature to agree to IPR provisions so stringent as to prevent the country from using its WTO rights to respond to a health emergency. When protests ensued, the police intervened, leading to two deaths.

**MYTH:** CAFTA will promote U.S. security and democracy in Central America.

**REALITY:** Trade alone – devoid of basic standards – has not and will not provide improved standards of living, middle class societies, or increased security and democracy.

- In 1944, President Roosevelt said, "A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations..... [And] ... if the standard of living in any country goes up, so does its purchasing power – and that such a rise encourages a better standard of living in neighboring countries with whom it trades."
- Trade, combined with standards, promotes increased living standards – trade alone does not. Case in point: despite recent trade liberalization and economic reforms, Latin America's income distribution remains the most unequal in the world, and at least 30 percent of the population is poor.
- The CBI program, especially as it was expanded in 2000, includes important conditions that countries must live up to in terms of adhering to basic ILO standards for working people. CAFTA, by contrast, disbands these standards for the Central American countries and requires them only to apply whatever laws they have.
- The ILO and the State Department have found more than 20 areas in which Central American labor laws are inconsistent with ILO norms; guaranteeing people their basic rights leads to middle class societies that are far more stable than societies with vast disparities of income.

**MYTH:** CAFTA is necessary to secure the democratic reforms of the last decade; without CAFTA, the region will fall prey to Communist revolution.

**REALITY:** By failing to include basic standards of fairness and decency for working people in the region, CAFTA is more likely to increase regional discontent over the failure of increased trade by itself to address poverty and income inequality. Such a result will neither increase U.S. security nor bolster struggling democracies.

- While Latin America has opened up to trade and foreign investment in recent years, the negative effects of globalization have not been adequately addressed. It is from these failures and the persistence of high rates of poverty and income inequality, in part, that leaders like Hugo Chavez draw their popular support.
- The solution to the failures of globalization is to improve living standards by broadening the circle of opportunity, e.g. adopting and enforcing internationally recognized labor standards, for all people in the region, and not to push trade agreements that benefit primarily a small elite.